



IFIAR 2018 Member Profile – FAOA

| | |
|-------------------------------------|---|
| <p>1. Jurisdiction</p> | <p>1.1 Insert the name of the jurisdiction in English:</p> <p>Switzerland</p> |
| <p>2. Member¹</p> | <p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Eidgenössische Revisionsaufsichtsbehörde RAB Autorité fédérale de surveillance en matière de révision ASR Autorità federale di sorveglianza dei revisori ASR Federal Audit Oversight Authority FAOA</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <ul style="list-style-type: none"> • Federal Audit Oversight Authority Bundesgasse 18 P.O. Box CH-3001 Bern Switzerland phone: +41.31.560.22.22; fax: +41.31.560.22.23 • FAOA website: www.rab-asr.ch • Contact persons: Frank Schneider, Chief Executive Officer (CEO), international@rab-asr.ch <p>Dr. Reto Sanwald, Head of Legal and International Affairs, Deputy CEO, international@rab-asr.ch</p> <p>Dieynaba Diabaté, Deputy Head of International Affairs, international@rab-asr.ch</p> • Activity Reports: https://www.rab-asr.ch/en/die-rab-en/geschaeftsberichte-en.html |

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.



2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:

The Federal Act on the Licensing and Oversight of Auditors (AOA; SR 221.302; see [here](#)) of 16 December 2005 regulates the licensing and oversight of individuals and firms providing statutory audit services. It aims at assuring the proper performance and quality of audit services (article 1 AOA). The licensing and oversight under the AOA is the responsibility of the FAOA (Art. 28 AOA).

The FAOA is responsible for the licensing of all auditors and audit firms carrying out statutory audits and exercises an independent oversight on all audit firms carrying out statutory audits of public interest entities. It is furthermore responsible for administrative assistance in international matters of audit oversight. The FAOA is entitled to conduct inspections, to give legally binding instructions to restore an orderly situation and to impose administrative as well as criminal sanctions.

2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?

Yes No

If yes, please describe these changes with an appropriate level of detail:

Art. 8 AOA provides the legal basis for the FAOA's extra-territorial jurisdiction. On 1 October 2017, amendments to Art. 8 AOA reducing the extra-territorial jurisdiction over foreign audit firms entered into force.. Specifically, the FAOA's oversight of foreign firms is now limited to those providing audit services to issuers of listed shares and bonds. This removes the oversight obligation with respect to unlisted bonds (Art. 8 para. 1 letter b AOA). Likewise, oversight of auditors of so-called material subsidiaries has also been waived (and this for foreign issuers of both, shares and bonds, Art. 8 para. 1 letters c and d AOA). In addition, foreign audit firms are exempted from Swiss oversight provided investors have been explicitly informed that the audit firm of the respective bond issuer is not under (equivalent) state oversight. Art. 8 para. 3 letter b and para. 5 AOA).

Further, the list of recognized foreign audit oversight authorities in Annex 2 of the Auditor Oversight Ordinance (AOO; SR 221.302.3; see [here](#)) was updated on 23 August 2017, as the Swiss government recognized 16 additional foreign audit oversight authorities as equivalent.



| | |
|--|---|
| 3. Governing Body Composition and members | <p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>Per 1 January 2018, the Board of Directors (“the Board”) is composed of the following persons:</p> <ul style="list-style-type: none"> • Mrs Wanda Eriksen-Grundbacher, Chair • Prof. Dr. Sabine Kilgus, LL.M., Vice Chair • Prof. Dr. Conrad Meyer, Member • Prof. Dr. Daniel Oyon, Member • Mr. Viktor Balli, Member <p>All Board members must be independent from the audit profession (Art. 30 AOA).</p> |
| | <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The Federal Council (i.e. the Swiss government) appoints the Board. The Board consists of a maximum of five members who are appointed for a term of office of four years. The members of the Board must be persons of expert knowledge and independent from the audit profession (Art. 30 AOA).</p> |
| | <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>All Board members must be independent from the audit profession (Art. 30 AOA).</p> |
| | <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p>N/A</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> |
| | <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>N/A</p> |

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.



| | |
|---------------------------------------|--|
| | <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>Although the AOA does not explicitly provide for a specific cooling-off period for Board members having past relations to the audit profession, international best practices are applied, i.e. a five-year cooling-off period. The current Board complies with this cooling-off period.</p> |
| | <p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (e.g., in a management or inspection function)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail:</p> |
| | |
| <p>4. Funding Arrangements</p> | <p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>As an institution under public law, the FAOA is a legal entity with its own legal personality. It performs the oversight independently, is independent in its organization and management, and keeps its own accounts (Art. 28 AOA).</p> <p>The FAOA is exclusively funded by fees and charges levied off registered individuals and firms (Art. 21 AOA and Art. 37 AOO). In order to finance the oversight costs not covered by fees, the FAOA imposes annual oversight charges on audit firms under state oversight on the basis of costs incurred in the accounting year and which take into consideration the economic significance of the audit firm under state oversight. The Federal Council determines the details, in particular the fee schedules, the assessment of the oversight dues and their allocation on audit firms under state oversight.</p> <p>The budget of the FAOA is not subject to approval by the Swiss Government. The CEO submits a draft budget to the FAOA Board which approves the budget as well as the annual accounts.</p> |



| | |
|------------------------------------|---|
| | <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>As described under 4.1., the audit profession is not involved in the setting of fees and approval of the budget (Art. 21 and 28 AOA).</p> |
| <p>5. Inspection System</p> | <p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> |
| | <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>N/A</p> |
| | <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The FAOA subjects ‘audit firms under state oversight’ to a detailed inspection at least every three years (Art. 16 para. 1 AOA). Audit firms under state oversight exclusively providing auditing services to financial intermediaries who are directly subordinated to the Swiss Financial Market Supervisory Authority (FINMA) are inspected every five years (Art. 16 para. 1^{bis} AOA).</p> <p>The following categories of audit firms fall under the scope of the public oversight of the FAOA:</p> <ul style="list-style-type: none"> • Audit firms incorporated under Swiss law providing audit services to public companies (Art. 7 para. 1 AOA); public companies comprise companies having equity securities listed on a Swiss or foreign stock exchange, having outstanding bonds or contributing at least 20 per cent of the assets or of the turnover to the group accounts of such an aforementioned company (significant subsidiaries) (Art. 727 para. 1 no. 1 Swiss Code of Obligations; SR 220; see here); • Audit firms incorporated under foreign law providing audit services to public companies (Art. 8 AOA); • Audit firms not meeting any of the above criteria, but licensed as “audit firms under state oversight” on a voluntary basis (Art. 7 |



| | |
|--|--|
| | <p>para. 2 AOA).</p> <p>If there is suspicion of an infringement of legal duties, the FAOA undertakes appropriate investigations irrespective of the regular inspection scheme (Art. 16 para. 1^{ter} AOA). Due to the strong market position of PwC, E&Y, KPMG, Deloitte and BDO in Switzerland and the market capitalization of the Public Interest Entities audited by them, these five audit firms are inspected by the FAOA on a yearly basis.</p> |
| <p>6. Audit and Financial Market</p> | <p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p> <p>Number of audit firms subject to inspections: 32 Number of PIE companies audited (incl. significant subsidiaries as of December 2017): 1781 (includes PIE companies and entities subject to financial market supervision)</p> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member's jurisdiction?</p> <p>Market share in view of market capitalization of listed audited entities:</p> <ul style="list-style-type: none"> • PwC 32% • E&Y 20% • KPMG 43% • Others 5% |
| <p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p> | <p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <p><input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____</p> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> |



| | |
|---|---|
| | <p>applied, as well as the role of the Member in these procedures.</p> <p>The FAOA is entitled to initiate formal investigations (depending on the severity of the infringement, it could be a disciplinary/administrative or a criminal proceeding) and to impose mandatory action or sanctions on individuals and audit firms (Art. 17 and Art. 39-40 AOA, Art. 45 AOO, and Art. 15 of the Ordinance of the FAOA on the Oversight of Audit Firms; OO-FAOA; SR 221.302.33; see here).</p> <hr/> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p>N/A</p> |
| <p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p> | <p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>No, it does not. The FAOA’s only mandate is Audit Oversight. This comprises, however, both financial and regulatory audits.</p> |
| | |
| <p>9. Major Events and Activities</p> | <p>9.1 Describe any recent major events and activities:</p> <ul style="list-style-type: none"> • Regulatory changes: <ul style="list-style-type: none"> ○ 1 January 2015: Until the end of 2014 oversight of state-regulated auditors and auditors of financial institutions had been shared between the FAOA and the Swiss Financial Markets Supervisory Authority (FINMA). As of 1 January 2015, the FAOA has the sole oversight authority over audit firms. This applies both to financial and regulatory audits. • International cooperation: in the past years, the FAOA entered into cooperation agreements with the following oversight authorities (see here): <ul style="list-style-type: none"> ○ 2017: Multilateral Memorandum of Understanding (MMoU) with 21 other IFIAR Members ○ 2016: Memorandum of Understanding (MoU) with the Irish Auditing and Accounting Supervisory Authority (IAASA) ○ 2014 : MoU with the Finnish Auditing Board of the Central Chamber of Commerce (AB3C) ○ 2014: MoU with the UK Financial Reporting Council (FRC) ○ 2014: MoU with the Canadian Public Accountability Board (CPAB) ○ 2014: Extension of Statement of Protocol (SoP) with the U.S. Public Company Accounting Oversight Board |



| | |
|--|--|
| | <p>(PCAOB)</p> <ul style="list-style-type: none"> ○ 2013 : MoU with the French Haut Conseil du Commissariat aux Comptes (H3C) ○ 2013: MoU with the Financial Market Authority (FMA) of Liechtenstein ○ 2013: MoU with the Commission de Surveillance du Secteur Financier (CSSF) of Luxemburg ○ 2012: MoU with the German Audit Oversight Commission (AOC) ○ 2012: MoU with the Dutch Authority for the Financial Markets (AFM) ○ 2011: SoP with the U.S. PCAOB <ul style="list-style-type: none"> ● Equivalence and adequacy decisions (see here): <ul style="list-style-type: none"> ○ 23 August 2017: The Swiss Federal Council decides to acknowledge the equivalence of another 16 foreign audit oversight authorities ○ 1 July 2015: The Swiss Federal Council decides to acknowledge the equivalence of 32 foreign audit oversight authorities ○ 19 January 2011: EU Commission Decision 2011/30/EU on the equivalence of the Swiss audit oversight system and accordingly the FAOA ○ 5 February 2010: EU Commission Decision 2010/64/EU on the adequacy of the Swiss audit oversight system ○ 26 July 2000: EU Commission Decision 2000/518/EC on the adequate protection of personal data provided in Switzerland <ul style="list-style-type: none"> ● IFIAR: <ul style="list-style-type: none"> ○ 11-12 October 2018: First stand-alone Enforcement Workshop to take place in Zurich ○ 3-6 April 2017: FAOA qualify as nominated Board Member 2017-2020 and FAOA CEO is elected as IFIAR's Vice Chair ○ 14 November 2016: the FAOA accepts the Officers' invitation to become a Nominated Board member (subject to confirmation at the April 2017 Plenary meeting) ○ 18 October 2016: the FAOA takes the lead on the Enforcement Working Group (EWG) Survey Subgroup ○ 25-26 February 2016: the FAOA hosts the EWG meeting ○ 4-6 March 2013: the FAOA hosts the annual IFIAR Inspection workshop ○ 27-29 April 2009: the FAOA hosts the bi-annual IFIAR Plenary Meeting |
|--|--|